

WATCH YOUR MONEY GROW

Have you ever heard ads by banks saying that they can help your money “grow”? Did you think that was strange? After all, money doesn’t grow in the same way that plants do, with water and sunshine. Money grows when you save some regularly.

There are many reasons to save money. (When you “save” money, you wait until later to spend it.) Grown-ups save their money to buy expensive things like cars, or so they can take a trip, or for

2% of \$100 = \$2

What is interest?

A bank pays you interest in order to be able to use your money. People who borrow money from the bank pay interest for the privilege of using someone else’s money.



Confused?

Here’s how it works:

- \$** Lorenzo opens a savings account by putting \$100 in the bank.
- \$** The bank pays Lorenzo 2 percent interest for the privilege of using his money. (Two percent of \$100 is \$2.)





emergencies. Kids also save money to buy things. Sometimes they save for college.

There are many ways to save money. Some people put their money into a piggy bank or hide it under a mattress. A smarter place to save your money is in a bank.

When you let a bank keep your money safe, a funny thing happens. The bank lends your money to other people. Don't worry; you still can get your money whenever you need it. But the bank pays you for using your money. The money they pay you is called interest. The bank earns interest, too, when it lends your money out.

So if you want to sit back and watch your money grow, start by putting what you have into the bank. Then, do some chores or other work and add your hard-earned dollars to your bank account.

**Adapted from an article by Barbara Hagen
Illustrated by Patty Weise**

- \$ Janeen comes to the bank to take out a loan for \$100. The bank lends Lorenzo's money to Janeen and charges her 10 percent interest.**
- \$ Janeen pays the bank back the \$100 she borrowed, plus the 10 percent interest, for a total of \$110.**

(In other words, it cost Janeen \$10 to borrow that \$100 from the bank.)

- \$ Janeen paid \$10 for the privilege of borrowing money, Lorenzo earned \$2 for allowing the bank to use his money, and the bank earned \$8 for managing the transactions.**

